BERGVLIET HIGH SCHOOL

GRADE 11 **ACCOUNTING PAPER 2** **TIME: 2 HOURS**

MARKS: 150 **DATE: NOVEMBER 2022**

EXAMINER: L. CHADZINGWA

MODERATOR: C. STEVENS

INSTRUCTIONS

1. Answer ALL the questions in **ANSWER BOOK** provided.
2. **SHOW ALL CALCULATIONS** in order for part marks to be allocated.
3. Read the instructions carefully and follow them precisely.
4. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.
5. Non-programmable calculators may be used.
6. A formulae sheet is provided.

QUESTION	TOPIC	MARKS	TIME
1	Manufacturing	40	32 minutes
2	Budgets	42	34 minutes
3	Reconciliations: Bank and Creditors	36	29 minutes
4	Inventory and VAT	32	25 minutes
	Total :	**150**	**120 mins**

QUESTION 1: CONCEPTS AND MANUFACTURING ACCOUNTS (40 marks: 32mins)

1.1. CONCEPTS. (5 marks: 4 minutes)

Match the descriptions provided by choosing the correct answer from the list provided below. Write only the answer next to the question (1.1.1-1.1.5) in the ANSWER BOOK.

Factory overhead cost; administration cost; selling and distribution cost; direct material cost; direct labour cost

1.1.1. Salaries paid to workers involved in production.

1.1.2. Cost of raw material used in the production process.

1.1.3. Advertising expense

1.1.4. Rents paid for office buildings

1.1.5. Salary paid to factory foreman. (5)

1.2. LEDGER ACCOUNTS AND COST CALCULATIONS (25 MARKS:20 MINUTES)

MORE –BLESSINGS MANUFACTURERS

The business produces doors and sells at a mark-up of 70% on cost. They use the perpetual inventory system for finished goods and the periodic inventory system for raw materials and indirect materials.

REQUIRED

1.2.1. Prepare the Raw Materials Stock account.

1.2.2. Provide Calculations for Direct Labour.

1.2.3. Factory Overheads Costs account.

INFORMATION:

A. The following balances appeared, amongst others, in the books of More-Blessings manufactures.

	1 March 2021	**28 March 2022**
Raw Material stock	95 000	110 500
Work in process stock	71 500	191 600
Finished goods stock	480 000	96 200
Factory indirect material stock	20 500	18 000

B. Transactions during the year

1. Raw materials purchased on credit, R521 000.
2. Cost of transporting raw materials to the factory amounted to R29 500, paid in cash

3. Indirect materials bought by EFT R77 500

4. Wages paid to factory workers are shown below. Employer contribution in respect of pension fund is R33 000.There was no overtime worked during the year.

Number of factory employees working on the doors	5 employees
Number of normal hours worked	2 200hrs
Wage rate normal time	R30

5. Salary paid to factory foreman, R105 000.

6. Commission paid to sales staff, R90 000.

7. Maintenance of factory equipment paid, R37 000.A further R11 000 is still owed.

8. Water and electricity, R21 000.The amount is split between the factory and the office. The ratio of factory to office is 4:1.

9. Rent paid amounts to R180 000.Rent expense is divided between
   Factory floor space area 120 square meters
   Office floor space 80 square meters.

10. Depreciation on factory equipment R60 500.

1.3. UNIT COST CALCULATIONS (10 MARKS: 8 MINUTES)

DJ RADIO MANUFACTURES.

You are provided with the information relating to DJ Radio Manufactures for the year ending 28 February 2019.The factory manufactures radios.

REQUIRED:

1.3.1. Calculate the direct material cost per unit. (2)

1.3.2. Calculate the break-even point for the year ended 28 February 2022. (4)

1.3.3. Should the business be satisfied with the number of Units manufactured during 2022.Explain by quoting relevant information and calculations? (4)

A. INFORMATION FOR THE YEAR ENDING 28 FEBRUARY 2022

	Total Cost	Per Unit
Direct material cost	768 960	?
Direct labour Cost	224 640	R52
Total variable Cost	1 058 400	R245
Total fixed Cost	518 400	R120
Sales	1 728 000	R400

B. ADDITIONAL INFORMATION

- The business produced and sold 4 320 radios during the year

40

QUESTION 2: BUDGETS (42 MARKS: 34 MINS)

2.1. CASH BUDGET

You are provided with information relating to Israel Stores. The business is owned by Jabez Israel. The business uses a mark –up of 80% on cost. The budget period ends on 31 December 2022.

REQUIRED:

2.1.1. Prepare the debtors' collection Schedule for November and December (11)

2.1.2. Complete the Cash Budget for two months ending 31 December 2022 (29)

2.1.3. Refer to INFORMATION L, and explain why the employees should not be satisfied with the increase of 4% in their salaries.
(2)

INFORMATION:

A. Balances on 31 October 2022.

Bank (favourable)	**R138 400**
Loan: Capitec Bank (10% p.a.)	**R360 000**
Fixed deposit at 6.5%p.a.	**R80 000**

B. Total Sales

Actual	
September	R360 000
October	R374 400
Budgeted	
November	R403 200
December	R468 000

C. Credit Sales comprise 40% of total sales.

D. The average collection from debtors over the past six months is provided below and this trend is expected to continue over the budget period.

- 25% pay in the month of sale
- 60% pay one month after the month of sale.
- 10% pay two months after the month of sale.
- The balance is written –off in the third month after the month of sale

E. The business replaces stock on a monthly basis to maintain a fixed stock level of R200 000.

F. The business buys 70% of its trading stock on credit. Creditors are paid in the month following the month of purchase to obtain a 5% cash discount.

G. A loan repayment of R24 000 is scheduled for 1 December 2022.The interest on loan is paid monthly.

H. Interest on the fixed deposit is received quarterly. The interest for last quarter of 2022 is due on 31 December 2022.

I. Salaries:

- The store manager earns R20 000 per month. However, from 1 December 2022 his salary will increase by 20%.He will also receive a bonus in December equivalent to his December salary.
- The business employs ten sales assistants, each earning R6 000 per month. They will receive a salary increase of 4% effective from 1 December. They do not get bonuses.

J. The owners' monthly drawings are as follows:

- Goods: R5 000
- Cash: R30 000

The owner intends increasing his cash drawings to R50 000 in December as he is taking his family on a holiday.

K. Equipment costing R20 000 will be purchased for cash at the beginning of December.

L. Operating expenses are expected to increase monthly in line with the current inflation rate of 5.7%.

M. Part of the buildings are rented out at a monthly rental of R5 000.

42

QUESTION 3. BANK RECONCILIATION (24 Marks: 19 Minutes)

The newly appointed bookkeeper of Yellow Cab Driving School is struggling to prepare the Bank Reconciliation statement for February 2022. Consider the provided information and complete the following:

REQUIRED

3.1.1. Give TWO reasons why it is important for Yellow Cab Driving School to prepare a Bank Reconciliation Statement monthly. (2)

Calculate the correct totals/balances for the following at the end of February 2022:

3.1.2. Cash Receipts Journal (8)

3.1.3. Cash Payments Journal (8)

3.1.4. Prepare the bank Reconciliation Statement on 28 February 2022 (6)

INFORMATION:

A Extract from the Bank Reconciliation Statement on 31 January 2022

	R
Balance as per bank account	15 600dr
Outstanding deposits	8 800
Outstanding EFT's No 393	5 900
No 415	1 750
No 420	7 350
No 423	5 500
Balance as per bank statement	27 300cr

B Favourable balance on the Bank Statement on 28 February 2022 was R11 892.

C The Cash Journals had the following totals on 28 February 2022, before the Bank Reconciliation was completed:

Cash Receipts Journal	R20 420
Cash Payments Journal	R29 070

D The following items appeared on the bank statement for February 2022, but not in the cash journals:

- EFT's numbered 415 and 420
- Deposit of R8 800
- A direct deposit of R3 500 made by a customer for her driving lessons that are scheduled for March 2022.
- Bank Charges of R260.

- A debit Card payment of R250 to purchase new windscreen wipers for the vehicle.
- Interest on the credit balance of R52.

E The following items appeared in the cash Journals for February 2022 but on the bank statement.

- EFT's numbered 450 (for rent paid) and 451 (for petrol) worth R2 300 and R1 700 respectively.
- An outstanding deposit of R750 from a customer.

F The following errors were noted when preparing the February bank reconciliation statement:

- EFT's number 393 to pay a supplier, Owami Daniels was incorrectly recorded in the Cash Payments Journal as R9 500**.**
- EFT number 423 to pay Salaries, was incorrectly recorded as R550 in the Cash Payments Journal

3.2 CREDITORS' RECONCILIATION (12 MARKS: 10 MINS)

A statement of Account from a creditor, Greens Wholesalers on 31 October 2022, indicates that Fresh Fruit Partners owes them R14 530.According to the creditor's ledger of Fresh Fruit Partners, the amount owing Greens Wholesalers is R13 789.

REQUIRED:

3.2.1. Use the space provided in the answer book to reconcile the difference between the Creditors statement of Account and the Creditors Ledger of the Business. Show the reconciliation with **either a + for increase or a – / (brackets) for a decrease**. (8)

3.2.2. An Internal auditor of Fresh Fruit Partners discovered that goods to the value of R6 500 ordered from Tom Fruits stores were not delivered to the premises of the business. An investigation revealed that the person in charge of placing the orders and receiving goods, ordered the goods for his personal use.

a. What action should be taken by management against this employee? Provide TWO points (2)

b. Provide TWO internal control measures that should be applied to prevent this from happening again. (2)

INFORMATION:

After an investigation the following were brought to light:

a) An EFT made to Greens Wholesalers was not received in time to allow a discount. Fresh Fruit Partners assumed they would receive a R450 discount and had entered it in their books as such.

b) Goods to the value of R980 Returned to Greens Wholesalers was recorded in the Creditors statement as R890.
c) An invoice received for goods bought from Greens Wholesalers for R700 was incorrectly entered in the Creditors' Ledger of Fresh Fruit Partners as a debit note.

d) The creditors' statement received shows interest on the overdue account of R251.No entry has been made with regards to this transaction in the Creditors' Ledger of Fresh Fruit Partners.

e) The following transactions took place after the creditors Statement was printed and emailed to Fresh Fruit Partners.
   - An invoice of R3 400 for goods purchased 29 October 2022.
   - An EFT of R1 950, made in part payment of the account on 30 October 2022.

36

QUESTION 4 INVENTORY SYSTEMS AND VAT (32 MARKS: 25 MINS)

4. VAT (10 MARKS: 8 MINUTES)

Charmaine Traders is registered for VAT. The Vat rate is 15%.

4.1. Calculate the figures indicated by (a) to (d) in the table below.

INFORMATION:

	Excluding VAT	**VAT Amount**	**Including VAT**
Sales return	960	**(a)**	1104
Purchase of stock	52 600	**(b)**	
Discount received	**(c)**	720	
Cash sales		**(d)**	112470*

*****This includes zero rated goods that should have been sold for R5500.
The bookkeeper has incorrectly included VAT of R825 on these goods.
This must be corrected.

4.2. INVENTORY (22 MARKS: 17 MINUTES)

PERIODIC INVENTORY SYSTEM.

You are provided with information relating to Penny Mug's, a retail shop owned by Penny Jenny. She uses the periodic inventory system. She is also concerned that there has been shoplifting.

REQUIRED:

4.2.1. Prepare the Trading Account for July 2022 (11)

4.2.2. Calculate the cost of sales (3)

4.2.3. Calculate the actual mark-up % on cost achieved for the month (4)

4.2.4. Penny suspects that there has been shoplifting. Give TWO Internal Control measures that can be put in place to prevent this in the future. (4)

INFORMATION:

A. Penny sells different types of coffee mugs. She aims at a mark-up of 50% on cost.

B. Stock on hand on 1 July 2022 was R120 000.

C. Total purchases for the month are R141 000, while defective mugs returned to suppliers are valued at R7 500.

D. Paid Post-net couriers R3 500 for manufacturing mugs from overseas and also paid customs duty of R4 800 on these mugs.

E. Penny donated mugs to a local orphanage. The selling price of theses mugs was R9 600.

F. All sales of mugs were for cash R232 000.

G. Stock on hand on 31 July was valued at R95 400.

32

End of Paper

GRADE 11 ACCOUNTING: FINANCIAL INDICATOR FORMULA SHEET		
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{Operating\ expenses}{Sales} \times \frac{100}{1}$	$\frac{Operating\ profit}{Sales} \times \frac{100}{1}$	
$\frac{Total\ earnings\ by\ partner}{Partners'\ average\ equity}$	$\frac{Net\ profit}{Average\ owners'\ equity}$	
Current assets: Current liabilities	**(Current assets-Inventories) : Current liabilities**	
(Trade and other receivables + Cash and cash equivalents) : Current liabilities		
$\frac{Average\ Debtors}{Credit\ Sales} \times \frac{365}{1}$	$\frac{Average\ Creditors}{Creditors\ purchases} \times \frac{365}{1}$	
$\frac{Average\ inventories}{Cost\ of\ sales} \times \frac{365\ or\ 12}{1}$	$\frac{Cost\ of\ Sales}{Average\ inventories} \times \frac{365}{1}$	
Non-current liabilities: Owners' equity	**Total assets: Total liabilities**	